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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

APR 09 2002

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4-22-02

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**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 02/01/01 AND ENDING 01/31/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

BENEFIT SECURITIES, INC.

| |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM ID. NO. |

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1407 West 31st Avenue, Suite 301

(No. and Street)

Anchorage

(City)

AK

(State)

99503

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Christopher Cadieux

907-276-2000

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KAISER WHITLOCK RULIEN, LLC

(Name — if individual, state last, first, middle name)

1407 West 31st Avenue, Suite 500, Anchorage, AK 99503

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
- ☐ Public Accountant
- ☐ Accountant not resident in United States or any of its possessions.

PROCESSED

APR 30 2002

THOMSON
FINANCIAL

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|-----------------------|
| FOR OFFICIAL USE ONLY |
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SO
4-22-02

BENEFIT SECURITIES, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

January 31, 2002 and 2001

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Benefit Securities, Inc.

We have audited the accompanying balance sheets of Benefit Securities, Inc. as of January 31, 2002 and 2001, and the related statements of operations and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Benefits Securities, Inc. as of January 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting standards accepted in the United States of America.

Kaiser, Whitlock, Rulien, LLC

Anchorage, Alaska
March 25, 2002

BENEFIT SECURITIES, INC.
BALANCE SHEETS
January 31, 2002 and 2001

| | <u>2002</u> | <u>2001</u> |
|--|-----------------------|-----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash (note A) | \$ 16,915 | \$ 17,364 |
| Accounts receivable | 2,006 | 14,164 |
| Income tax refund receivable | 3 | 1,833 |
| Prepaid expenses | 1,647 | 1,778 |
| Deposits | <u>1,017</u> | <u>1,017</u> |
| TOTAL CURRENT ASSETS | 21,588 | 36,156 |
| PROPERTY AND EQUIPMENT, at cost (note A) | | |
| Furniture and equipment | 16,645 | 17,340 |
| Accumulated depreciation | <u><15,113></u> | <u><14,322></u> |
| | 1,532 | 3,018 |
| OTHER ASSETS | | |
| Investments – restricted (note B) | 195,763 | 184,335 |
| Deferred income tax benefit (note C) | <u>33,300</u> | <u>31,400</u> |
| | <u>229,063</u> | <u>215,735</u> |
| | <u>\$ 252,183</u> | <u>\$ 254,909</u> |

See accompanying notes and auditor's report.

| | <u>2002</u> | <u>2001</u> |
|--|-------------------|-------------------|
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Commissions payable | \$ 1,404 | \$ 4,729 |
| Payroll taxes payable | 2,468 | 949 |
| Income taxes payable | 147 | 84 |
| Deferred income taxes (note C) | <u>400</u> | <u>2,200</u> |
| TOTAL CURRENT LIABILITIES | 4,419 | 7,962 |
| OTHER LIABILITIES | | |
| Nonqualified deferred compensation plan (note B) | 195,763 | 184,335 |
| STOCKHOLDERS' EQUITY | | |
| Common stock, no par value; authorized 100 shares; issued and outstanding 100 shares | 10,000 | 10,000 |
| Additional paid in capital | 14,500 | 14,500 |
| Retained earnings | <u>27,501</u> | <u>38,112</u> |
| | <u>52,001</u> | <u>62,612</u> |
| | <u>\$ 252,183</u> | <u>\$ 254,909</u> |

BENEFIT SECURITIES, INC.
 STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
 For the years ended January 31, 2002 and 2001

| | <u>2002</u> | <u>2001</u> |
|--|------------------|------------------|
| COMMISSIONS EARNED | \$ 272,278 | \$ 369,813 |
| COMMISSIONS PAID | <u>103,693</u> | <u>167,495</u> |
| GROSS PROFIT | 168,585 | 202,318 |
| OPERATING EXPENSES | <u>192,663</u> | <u>226,390</u> |
| INCOME (LOSS) FROM OPERATIONS | <24,078> | <24,072> |
| OTHER INCOME | | |
| Interest income | 12 | - |
| Dividend income | <u>11,732</u> | <u>11,296</u> |
| | <u>11,744</u> | <u>11,296</u> |
| INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES | <12,334> | <12,776> |
| INCOME TAX BENEFIT (EXPENSE) (note C) | | |
| Current | <1,977> | <1,331> |
| Deferred | <u>3,700</u> | <u>3,700</u> |
| | <u>1,723</u> | <u>2,369</u> |
| NET INCOME (LOSS) | <10,611> | <10,407> |
| RETAINED EARNINGS, beginning of year | <u>38,112</u> | <u>48,519</u> |
| RETAINED EARNINGS, end of year | <u>\$ 27,501</u> | <u>\$ 38,112</u> |

See accompanying notes and auditor's report.

BENEFIT SECURITIES, INC.
STATEMENTS OF CASH FLOWS
For the years ended January 31, 2002 and 2001

| | <u>2002</u> | <u>2001</u> |
|---|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | \$ <10,611> | \$ <10,407> |
| Adjustments to reconcile net loss to cash provided by operating activities | | |
| Depreciation | 1,297 | 1,593 |
| Gain on sale of assets | <12> | - |
| Deferred income taxes | <3,700> | <3,700> |
| Decrease in commissions receivable | 12,158 | 36,347 |
| (Increase) decrease in income taxes receivable | 1,830 | <1,833> |
| Decrease in prepaid expenses | 131 | - |
| Decrease in commissions payable | <3,325> | <26,149> |
| Increase in accounts payable and accrued expenses | 1,519 | 516 |
| Increase (decrease) in income taxes payable | 63 | <1,197> |
| Increase in nonqualified deferred compensation plan payable | <u>11,428</u> | <u>10,842</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 10,778 | 6,012 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | <11,428> | <10,842> |
| Purchase of office equipment | - | <1,693> |
| Proceeds from sale of assets | <u>201</u> | <u>-</u> |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | <u><11,227></u> | <u><12,535></u> |
| NET DECREASE IN CASH | <499> | <6,523> |
| CASH, beginning of year | <u>17,364</u> | <u>23,887</u> |
| CASH, end of year | <u>\$ 16,915</u> | <u>\$ 17,364</u> |
| SUPPLEMENTARY DISCLOSURE | | |
| Income taxes paid | <u>\$ -</u> | <u>\$ 1,247</u> |

See accompanying notes and auditor's report.

BENEFIT SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
January 31, 2002 and 2001

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activities

Benefit Securities, Inc. (the Company), provides financial planning services and sells several investment companies' financial products to Alaskan investors. The Company is a member of the National Association of Securities Dealers, Inc. and Securities Investor Protection Corporation. Revenues are commissions from the investment companies on the products sold.

Property and Equipment

Property and equipment are recorded at cost and depreciated using accelerated methods to amortize their cost over their estimated useful lives, which range from five to seven years.

Income Taxes

The Company prepares its financial statements using the accrual method of accounting and its tax return using the cash basis. When timing differences arise in the recognition of income, deferred income taxes are provided in those years.

Deferred income tax assets and liabilities result from timing differences between the cash and the accrual methods and the nondeductibility of the nonqualified deferred compensation for tax purposes until such time as it is paid.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Advertising

Advertising costs are expensed as incurred. Advertising costs totaled \$0 and \$645 for the years ended January 31, 2002 and 2001, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

See auditor's report.

BENEFIT SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
January 31, 2002 and 2001

NOTE B – NONQUALIFIED DEFERRED COMPENSATION PLAN

The Company's investments are restricted for payment of a nonqualified deferred compensation plan maintained for a former employee. Because the Company's investments are intended to be held for an indefinite period of time, they are classified in accordance with Statement of Financial Accounting Standards No. 115 "Accounting for Certain Debt and Equity Securities," as available for sale. Investments consisted of an annuity with market values of \$195,763 and \$184,335 at January 31, 2002 and 2001, respectively. The annuity has a fixed interest rate which allows for no market fluctuation and therefore, cost equals market.

NOTE C – DEFERRED INCOME TAXES

The provision for income tax differs from the expected tax provision computed by multiplying results of operations by the statutory federal income tax rates because of the use of the cash method of accounting for income tax purposes. This difference results in current deferred tax liabilities of \$400 and \$2,200 at January 31, 2002 and 2001, respectively.

In addition, noncurrent deferred income tax benefits of \$33,300 and \$31,400 at January 31, 2002 and 2001, respectively, arise because, unlike for financial accounting purposes, the nonqualified deferred compensation plan is not deductible for income tax purposes until paid.

NOTE D – LEASE COMMITMENTS

The Company conducts its operations in facilities leased on a month-to-month basis when the current lease expired August 14, 2001. Rent under the existing lease is \$1,730 per month for two office suites and storage space, and is subject to renegotiation if the lease is renewed. The conference space was dropped when the current lease expired.

In addition, the Company leases off-site storage space on a month-to-month basis at a rate of \$70 per month. A 7 day notice may cancel this lease.

Rental expenses for all operating leases for the years ended January 31, 2002 and 2001 were \$24,723 and \$26,652, respectively.

See auditor's report.

BENEFIT SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
January 31, 2002 and 2001

NOTE E – RELATED PARTY TRANSACTIONS

The Company paid management compensation to one of its stockholders for the years ended January 31, 2002 and 2001 totaling \$84,500 and \$113,087, respectively.

Commissions of \$67,883 and \$127,486 were paid to another stockholder at January 31, 2002 and 2001, respectively.

See auditor's report.

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

Board of Directors
Benefit Securities, Inc.

Our report on our audit of the basic financial statements of Benefit Securities, Inc. for January 31, 2002 and 2001 appears on page 2. That audit was made for the purposes of forming an opinion on the basic financial statements taken as whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anchorage, Alaska
March 25, 2002

BENEFIT SECURITIES, INC.
SCHEDULES OF OPERATING EXPENSES
For the years ended January 31, 2002 and 2001

| | <u>2002</u> | <u>2001</u> |
|------------------------------------|-------------------|-------------------|
| Salaries and wages | \$ 28,725 | \$ 28,875 |
| Advertising and promotion | - | 645 |
| Depreciation | 1,297 | 1,594 |
| Dues, education and subscriptions | 2,951 | 895 |
| Insurance and bonding | 815 | 400 |
| Internet | 832 | 815 |
| Management compensation | 84,500 | 113,087 |
| Meals | - | 128 |
| Miscellaneous | 868 | - |
| Nonqualified deferred compensation | 11,428 | 10,841 |
| Office expense | 7,498 | 10,354 |
| Payroll taxes | 13,103 | 12,189 |
| Penalties | 301 | 174 |
| Professional fees | 6,453 | 6,245 |
| Rent | 24,723 | 26,652 |
| SIMPLE contributions | 2,705 | - |
| Taxes, licenses and fees | 474 | 4,503 |
| Telephone | 5,092 | 5,590 |
| Travel | 898 | 3,403 |
| | <u>\$ 192,663</u> | <u>\$ 226,390</u> |

See auditor's report.